

Message Text

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PAGE 01 BONN 10243 051649Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 PA-02 FSE-00 ABF-01 /118 W
-----076901 051731Z /75

R 051639Z JUN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9102
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY TOKYO
AMEMBASSY ROME

UNCLAS BONN 10243

USEEC, USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: EMMINGER ON ECONOMIC SUMMIT
AND GERMAN GROWTH RATES

1. ACCORDING TO PRESS REPORTS, BUNDESBANK PRESIDENT OTMAR EMMINGER TOLD A MUNICH AUDIENCE OF FOREIGN EXCHANGE DEALERS ON JUNE 3 THAT THE JULY 11 ECONOMIC SUMMIT WOULD NOT BE A REHASHED PING-PONG GAME, BUT WOULD RATHER AIM TOWARD MUTUAL AGREEMENT FOR COOPERATION. THE U.S. SIDE, HE SAID, HAD ACKNOWLEDGED ITS RESPONSIBILITY FOR STABILIZING THE DOLLAR AND REDUCING THE CURRENT ACCOUNT DEFICIT. THE GERMAN SIDE, HE ADDED, COULD CONTRIBUTE THE FOLLOWING: (1) CONTINUE THE POLICY FOR SMOOTHING EXCHANGE RATE CHANGES IN CLOSE COOPERATION WITH THE FEDERAL RESERVE; (2) MAINTAIN THE INTEREST RATE DIFFERENTIAL; (3) ACCEPT A CERTAIN AMOUNT OF REAL
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PAGE 02 BONN 10243 051649Z

DM APPRECIATION AS A PARTIAL CONTRIBUTION TOWARD BOP ADJUSTMENT.

2. EMMINGER WAS REPORTED AS SAYING THAT A FAST RATE OF FRG IMPORT INCREASE (EIGHT PERCENT GROWTH DURING THE FIRST FOUR MONTHS OF 1978 OVER FIRST THIRD OF 1977) WAS MUCH MORE IMPORTANT THAN STRUGGLING OVER ONE-HALF

PERCENTAGE POINT MORE OR LESS OF GNP GROWTH. EMMINGER CLAIMED THAT THE GERMAN ECONOMY WAS BEING TRANSFORMED FROM AN EXPORT ECONOMY TO ONE MORE DEPENDENT ON DOMESTIC DEMAND. JUST AS THE U.S. NEEDED TIME TO BRING INFLATION UNDER CONTROL, SO GERMANY MUST HAVE TIME TO OVERCOME PROBLEMS THROWN UP BY EXCHANGE RATE CHANGES AND OTHER DRAGS ON GROWTH. THE HANDELSBLATT REPORTS EMMINGER AS IMPLYING HE WAS PREPARED TO BET FRG WOULD SOLVE ITS BASIC PROBLEMS OF GROWTH BEFORE THE U.S. ITS PROBLEMS OF INFLATION.
STOESSEL

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